

**Town of Wales  
Compilation Report  
For the Fiscal Year Ended  
June 30, 2005**

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# Town of Wales

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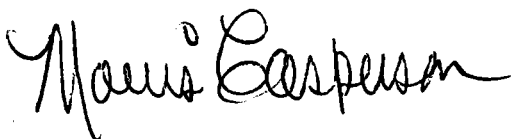
December 21, 2005

To the Mayor and Council of the  
Town of Wales  
P.O. Box 4274  
Wales, UT 84667

We have compiled the accompanying financial statements of governmental activities, the business Type activities, each major fund and the aggregate remaining information of the Town of Wales as of and for the year ended June 30, 2005, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are in accordance with Statements on Standards for Accounting and Review services issued by the American Institute of Certified Public Accountants.

A compilation is limited to presenting in the form of financial statements information that is the representation of management. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or any other form of assurance on them.

The management's discussion and analysis and budgetary comparison information are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have compiled the supplementary information from the information that is the representation of management, without audit or review. Accordingly, we do not express an opinion or any other form of assurance on the supplementary information.

A handwritten signature in cursive script that reads "Morris Casperson".

Morris Casperson CPA, LLC

# Town of Wales

P.O. Box 4274  
Wales, UT 84667  
435-436-9345

Wales Town Council  
Wales, Utah

December 21, 2005

Council;

It is with great pleasure that the financial statements for the Town of Wales for the year ended June 30, 2005, is presented.

State law requires that all local governments publish within six months of the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. These financial statements are hereby issued and submitted to you for the fiscal year ended June 30, 2005, in accordance with these requirements.

This report consists of management's representations concerning the finances of the Town of Wales. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management has established an internal control framework that is designed to both protect the assets of the Town from loss, theft, or misuse and to allow for the compiling of sufficient reliable information for the preparation of the Town's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the Town's internal control procedures have been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. To the best of management's knowledge and belief, this financial report is complete and reliable in all material respects.

The Town of Wales' financial statements have been prepared by Morris Casperson CPA, LLC, a licensed public accountant.

The financial reporting entity (the town) includes all funds of the primary government (i.e., the Town of Wales as legally defined).

Respectfully submitted,

Mayor

*Lyron L. Davis*

# *Town of Wales*

## MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Town of Wales, we offer readers of the Town of Wales' financial statements this narrative overview and analysis of the financial activities of the Town of Wales for the fiscal year ended June 30, 2005.

### FINANCIAL HIGHLIGHTS

- The total net assets of the Town of Wales decreased 6% to \$ 969,765.
- The total net assets of \$ 969,765 are made up of \$ 909,918 in capital assets less related debt of \$ 118,051 plus \$ 177,898 in other net assets.
- Total long-term liabilities of the Town was reduced \$ -0-
- Business-type activities, total net assets, decreased \$ 14,864.
- Governmental activities total net assets decreased \$ 35,153.
- 

### REPORTING THE TOWN AS A WHOLE

This discussion and analysis is intended to serve as an introduction to the Town of Wales's basic financial statements. The Town of Wales' basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also includes other supplementary information in addition to the basic financial statements.

The government-wide financial statements are designed to provide readers with a broad overview of the Town of Wales finances, in a manner similar to a private-sector business.

- The statements of net assets presents information on all of the Town of Wales assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Town of Wales is improving or deteriorating. However, you will also need to consider other nonfinancial factors.
- The statement of activities presents information showing how the Town's net assets changed during the fiscal year reported. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus all of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

Both of the government-wide financial statements distinguish functions of the Town of Wales that are principally supported by taxes and intergovernmental revenues ( governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities).

The government-wide financial statements can be found on pages 6-14 of this report.

### REPORTING THE TOWN'S MOST SIGNIFICANT FUNDS

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Wales also uses fund

accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into two categories: governmental funds, and proprietary funds.

- **Governmental funds** -These funds are used to account for the same functions reported as governmental activities in the government-wide financial statements. These fund statements focus on how money flows into and out of these funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the Town's general government operations and the basic services it provides. Governmental fund information helps users determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in a reconciliation included with the fund financial statements.

The only major governmental fund (as determined by generally accepted accounting principles) is the General Fund. The balance of the governmental funds are determined to be non-major and are included in the combining statements within this report.

- **Proprietary funds** -The Town of Wales maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town of Wales uses enterprise funds to account for Water Utility.

As determined by generally accepted accounting principles, all enterprise funds meet the criteria of major fund classification.

### **GOVERNMENT -WIDE FINANCIAL ANALYSIS**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Town of Wales, assets exceed liabilities by \$ 969,765. By far the largest portion of the Town of Wales, net assets (79%) reflects an investment in capital assets ( e.g., land, buildings, infrastructure assets, and machinery and equipment), less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

### **FINANCIAL ANALYSIS OF GOVERNMENT'S FUNDS**

The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town's financing requirements.

As of the June 30, 2005, the Town's governmental funds (General and Other Governmental Funds) reported combined fund balances of \$ 31,779. This represents an increase of \$ 24.

The General Fund is the chief operating fund of the Town. All activities which are not required to be accounted for in separate funds either by state or local ordinance or by a desire to maintain a matching of revenues and expenses are accounted for in this fund.

Taxes continue to be the largest source of revenue in the General Fund and represent 42% of total general fund revenues. The largest element of taxes is sales taxes as it has been for the last several years. It represents 84% of total tax revenues and represents 35% of total general fund revenues. This compares with 37% in the prior fiscal year ended June 30, 2004.

As stated earlier, the Town maintains several enterprise funds to account for the business-type activities of the Town. The separate fund statements included in this report provides the same information for business-type activities as is provided in the government-wide financial statements. However, the difference is that the fund statements provide much more detail.

### GENERAL FUND BUDGETARY HIGHLIGHTS

During the fiscal year the General Fund original budget was amended from its original budget expenditure to a total of \$ 56,164.

### CAPITAL ASSET AND DEBT ADMINISTRATION

#### Capital assets:

Major capital asset events during the current fiscal year included the following:

- \$ 708 for Town Hall Renovation.

### TOWN OF WALES CAPITAL ASSETS

	Governmental Activities	Business-type Activities
Land	\$ 2,000	\$ 1,600
Buildings	112,619	
Water System		709,960
Infrastructure	322,560	
Machinery & equipment	7,186	24,802
Less: Accumulated depreciation	(72,171)	(210,909)
Total	<u>\$ 372,194</u>	<u>\$ 525,453</u>

Additional information on the Town's capital assets can be found in the footnotes to this financial report.

### TOWN OF WALES OUTSTANDING DEBT

Long-term debt -At June 30, 2005, the Town had total bonded debt outstanding of \$ 118,051. Of this amount \$ 0 is considered to be general obligation debt and backed by the full faith and credit of the Town; and the remainder of \$ 118,051 is debt which is secured solely by specific revenue sources (i.e., Water revenue bonds).

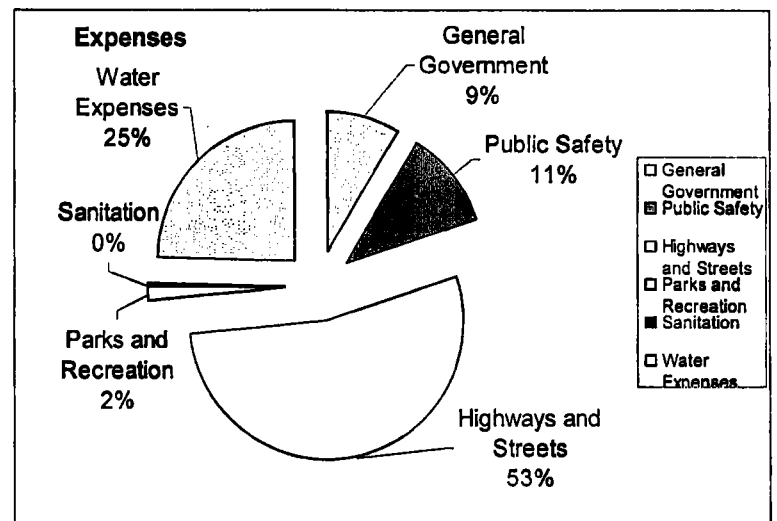
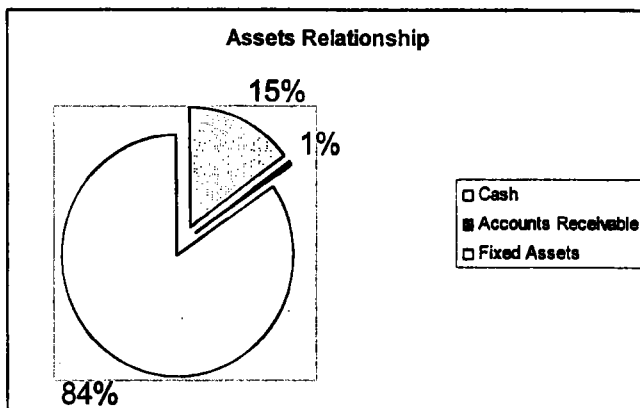
**Business-type  
Activities**

Water Revenue bonds

\$ 118,051

The Town's total debt decreased by \$ -0- during the fiscal year.

Additional information on the outstanding debt obligations of the Town can be found in the footnotes to this report.

**Graphic Breakdown of Assets and Expenses**



**TOWN OF WALES**  
**STATEMENT OF NET ASSETS**  
For the year ended June 30, 2005  
With Comparative Totals for June 30, 2004

	Governmental Activities	Business-Type Activities	Memorandum Totals 2005	Memorandum Totals 2004
<b>ASSETS:</b>				
Cash	\$ 31,779	\$ 126,752	\$ 158,531	\$ 180,079
Accounts Receivable		8,039	8,039	9,892
Capital Assets:				
Land	2,000	1,600	3,600	3,600
Buildings	112,619		112,619	111,911
Water System		709,960	709,960	709,960
Infrastructure	322,560		322,560	322,560
Machinery & Equipment	7,186	24,802	31,988	31,988
Less: Accumulated Depreciation	(72,171)	(210,909)	(283,080)	(229,981)
Total Assets	<u>\$ 403,973</u>	<u>\$ 660,244</u>	<u>\$ 1,064,217</u>	<u>\$ 1,140,009</u>
<b>LIABILITIES:</b>				
Accounts Payable	0	8,605	8,605	2,176
Current Portion of Long Term Debt		5,000	5,000	10,000
Long Term Debt		113,051	113,051	108,051
Total Liabilities	0	126,656	126,656	120,227
<b>NET ASSETS:</b>				
Investment in Capital Assets, net of related debt	372,194	407,402	779,596	831,987
Restricted for:				
Impact Fees	20,000	25,650	45,650	43,300
Unrestricted	11,779	132,740	144,519	144,495
Total Net Assets	<u>\$403,973</u>	<u>\$565,792</u>	<u>\$969,765</u>	<u>\$1,019,782</u>

The notes to the financial statements are an integral part of this statement

TOWN OF WALES  
STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2005  
With Comparative Totals for June 30, 2004

	Revenues		Net Governmental Activities ((Exp) + Rev)	Net Business- Type Activities	Memorandum	
	Expenses	Charges for Services			Totals 2005	Totals 2004
<b>Governmental Activities:</b>						
General Government	\$ 13,756	\$ 6,040	\$ (7,716)	\$ (7,716)	\$ (7,716)	\$ (7,678)
Public Safety	18,042		(5,691)	(5,691)	(5,691)	(4,718)
Highways and Streets	73,112		(59,185)	(59,185)	(59,185)	(23,075)
Parks and Recreation	2,815		(2,815)	(2,815)	(2,815)	(3,945)
Sanitation	252		(252)	(252)	(252)	(600)
<b>Total Governmental Activities</b>	<b>107,977</b>	<b>6,040</b>	<b>(75,659)</b>		<b>(75,659)</b>	<b>(40,016)</b>
<b>Business-Type Activities:</b>						
Water	39,678	35,567		(4,111)	(4,111)	(6,780)
<b>Total Business-Type Activities</b>	<b>\$39,678</b>	<b>\$35,567</b>		<b>(4,111)</b>	<b>(4,111)</b>	<b>(6,780)</b>
<b>General Revenues:</b>						
Taxes:						
Property Taxes levied for general purposes			3,995		3,995	4,282
General Sales Tax			20,376		20,376	15,786
Transfer from Water Funds			14,000	(14,000)		
Investment Income (Interest)			198	3,247	3,445	2,539
Miscellaneous			1,937		1,937	1,206
<b>Total General Revenues and Transfers</b>			<b>40,506</b>	<b>(10,753)</b>	<b>29,753</b>	<b>23,813</b>
<b>Change in Net Assets</b>			<b>(35,153)</b>	<b>(14,864)</b>	<b>(50,017)</b>	<b>(22,981)</b>
<b>Beginning - Net Assets</b>			<b>439,126</b>	<b>580,656</b>	<b>1,019,782</b>	<b>1,042,762</b>
<b>Ending - Net Assets</b>			<b>\$403,973</b>	<b>\$565,792</b>	<b>\$969,765</b>	<b>\$1,019,781</b>

The notes to the financial statements are an integral part of this statement

TOWN OF WALES  
GOVERNMENT FUNDS TYPE  
BALANCE SHEET  
For the year ended June 30, 2005  
With Comparative Totals for June 30, 2004

	General	Other Governmental Funds	Memorandum Totals 2005	Memorandum Totals 2004
<b>ASSETS:</b>				
Cash	\$ 31,779	\$ -	\$ 31,779	\$ 31,755
Accounts Receivable				
<b>Total Assets</b>	<u>\$31,779</u>	<u>\$0</u>	<u>\$31,779</u>	<u>\$31,755</u>
<b>LIABILITIES:</b>				
Accounts Payable	0	0	0	0
Total Liabilities	0	0	0	0
<b>FUND BALANCE:</b>				
Reserved for:				
Impact Fees	20,000		20,000	20,000
Unrestricted	11,779	0	11,779	11,755
<b>Total Fund Balance</b>	<u>31,779</u>	<u>0</u>	<u>31,779</u>	<u>31,755</u>
<b>Total Liabilities and Fund Balance</b>	<u>\$ 31,779</u>	<u>\$ -</u>		
Amounts reported for governmental activities in the statement of net assets is different because: Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.				
<b>Net Assets reconciled to the Statement of Activities</b>			<u>372,194</u>	<u>407,371</u>
			<u>\$ 403,973</u>	<u>\$ 439,126</u>

The notes to the financial statements are an integral part of this statement

TOWN OF WALES  
GOVERNMENTAL FUNDS TYPES  
STATEMENT OF REVENUE AND EXPENDITURES  
AND CHANGES IN FUND BALANCES  
For the Year Ended June 30, 2005  
With Comparative Totals for June 30, 2004

	General	Other Governmental Funds	Memorandum Total 2005	Memorandum Total 2004
<b>REVENUES:</b>				
Property Taxes	2,331		\$ 2,331	\$ 3,742
Sales Tax	20,376		20,376	15,786
Other Taxes	1,664		1,664	540
Licenses and Permits	773		773	613
Charges for Services	5,267		5,267	1,292
B & C Road and Liquor Allotment	13,927		13,927	15,213
County Fire District Allotment	1,809		1,809	1,809
Interest Income	198		198	2,494
Grants	10,542		10,542	0
Miscellaneous	1,937		1,937	1,674
Total Revenues	58,824	0	58,824	43,163
<b>EXPENDITURES:</b>				
General Government	10,424		10,424	9,583
Public Safety	17,743		17,743	4,718
Highways and Streets	40,858		40,858	40,565
Parks and Recreation	2,815		2,815	3,943
Sanitation	252		252	600
Capital Outlay		708	708	4,000
Total Expenditures	72,092	708	72,800	63,409
Excess (Deficiency) of Revenue over Expenditures	(13,268)	(708)	(13,976)	(20,246)
<b>Other Financing Sources (Uses):</b>				
Interest Expense				
Transfers In (Out)	14,000		14,000	
Total Other Financing Sources	14,000	0	14,000	0
Net Change in Fund Balance	732	(708)	24	(20,246)
Beginning - Fund Balance	31,047	708	31,755	52,001
Ending - Fund Balance	<u>\$31,779</u>	<u>\$0</u>	<u>\$31,779</u>	<u>\$31,755</u>

The notes to the financial statements are an integral part of this statement

TOWN OF WALES  
 RECONCILIATION OF THE STATEMENT OF REVENUE AND EXPENDITURES  
 AND CHANGES IN FUND BALANCES OF GOVERNMENT FUNDS  
 TO THE STATEMENT OF ACTIVITIES  
 For the Year Ended June 30, 2005

	<u>2005</u>	<u>2004</u>
Net Change in Fund Balances - Total Governmental Funds	\$24	\$16,246
Town Hall Renovation shown as Expense	708	4,000
Depreciation Expense	(35,885)	
Change in Net Assets of Governmental Activities	<u>(\$35,153)</u>	<u>\$20,246</u>

TOWN OF WALES  
GENERAL FUND  
STATEMENT OF REVENUE AND EXPENDITURES  
AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL  
For the Year Ended June 30, 2005

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>REVENUES:</b>				
Property Taxes	4,000	3,549	2,331	1,218
Sales Tax	14,000	20,113	20,376	(263)
Other Taxes	100	1,217	1,664	(447)
Licenses and Permits	525	667	773	(106)
Charges for Services	1,500	4,412	5,267	(855)
B & C Road and Liquor Allotment	11,000	13,671	13,927	(256)
County Fire District Allotment		1,809	1,809	0
Interest Income	2,000	2,977	198	2,779
State Grant		10,542	10,542	0
Miscellaneous	300	45	1,937	(1,892)
Total Revenues	33,425	59,002	58,824	178
<b>EXPENDITURES:</b>				
General Government	11,000	11,000	10,424	576
Public Safety	5,100	17,827	17,743	84
Highways and Streets	33,596	50,766	40,858	9,908
Parks and Recreation	3,600	3,600	2,815	785
Sanitation	300	300	252	48
Capital Outlay				0
Total Expenditures	53,596	83,493	72,092	11,401
Excess (Deficiency) of Revenue over Expenditures	<u>(20,171)</u>	<u>(24,491)</u>	<u>(13,268)</u>	<u>(11,223)</u>
<b>Other Financing Sources (Uses):</b>				
Transfers In (Out)		14,000	14,000	0
Capital Transfer - B & C Roads	<u>20,171</u>	<u>10,491</u>		<u>10,491</u>
Total Other Financing Sources	<u>20,171</u>	<u>24,491</u>	<u>14,000</u>	<u>10,491</u>
Net Change in Fund Balance	<u>\$0</u>	<u>\$0</u>	732	<u>\$ (732)</u>
Beginning - Fund Balance			<u>31,047</u>	
Ending - Fund Balance			<u>\$31,779</u>	

The notes to the financial statements are an integral part of this statement

**TOWN OF WALES**  
**STATEMENT OF NET ASSETS**  
**Proprietary Funds**  
**For the year ended June 30, 2005**  
**With Comparative Totals for June 30, 2004**

	Water Fund	Other Business Funds	Memorandum Totals 2005	Memorandum Totals 2004
<b>ASSETS:</b>				
Current Assets:				
Cash	\$ 126,752		\$ 126,752	\$148,324
Accounts Receivable	8,039		8,039	9,892
<b>Total Current Assets</b>	<b>134,791</b>	<b>0</b>	<b>134,791</b>	<b>158,216</b>
Capital Assets:				
Land	1,600		1,600	1,600
Buildings				
Water System Infrastructure	709,960		709,960	709,960
Machinery & Equipment	24,802		24,802	24,802
Less: Accumulated Depreciation	(210,909)		(210,909)	(193,695)
<b>Total Capital Assets</b>	<b>525,453</b>		<b>525,453</b>	<b>542,667</b>
<b>Total Assets</b>	<b>\$ 660,244</b>	<b>\$0</b>	<b>\$ 660,244</b>	<b>\$ 700,883</b>
<b>LIABILITIES:</b>				
Current Liabilities:				
Accounts Payable	8,605		8,605	2,176
Current Portion of Long Term Debt	5,000		5,000	10,000
<b>Total Current Liabilities</b>	<b>13,605</b>		<b>13,605</b>	<b>12,176</b>
Long-Term Liabilities:				
Water Quality Loan				
Net of Current Portion (\$5,000)	113,051		113,051	108,051
<b>Total Long-Term Liabilities</b>	<b>113,051</b>		<b>113,051</b>	<b>108,051</b>
<b>Total Liabilities</b>	<b>126,656</b>		<b>126,656</b>	<b>120,227</b>
<b>NET ASSETS:</b>				
Investment in Capital Assets, net of related debt	407,402		407,402	424,616
Restricted for:				
Impact Fees	25,650		25,650	23,300
Unrestricted	132,740		132,740	132,740
<b>Total Net Assets</b>	<b>\$565,792</b>	<b>\$0</b>	<b>\$565,792</b>	<b>\$580,656</b>

The notes to the financial statements are an integral part of this statement

TOWN OF WALES  
 PROPRIETARY FUNDS  
 STATEMENT OF REVENUE AND EXPENDITURES  
 AND CHANGES IN FUND NET ASSETS  
 For the Year Ended June 30, 2005  
 With Comparative Totals for June 30, 2004

	2005 Water Utility	Memorandum Totals 2004
Operating Revenue:		
Charges for Services	<u>\$35,567</u>	<u>\$34,348</u>
Total Operating Revenue	35,567	34,348
Operating Expenses:		
Payroll	5,448	2,978
Supplies	8,002	6,500
Contractual Services	3,222	1,802
Fire Fees (Collected in Billing)	1,650	1,621
Depreciation	<u>17,213</u>	<u>17,213</u>
Total Operating Expenses	<u>35,535</u>	<u>30,114</u>
Operating Income	32	4,234
Non - Operating Revenue (Expenses)		
Transfer to General Fund	(14,000)	
Impact Fees Collected		-
Interest Income	3,247	45
Interest Expense	<u>(4,143)</u>	<u>(11,014)</u>
Total Non-Operating Revenue (Expenses)	<u>(14,896)</u>	<u>(10,969)</u>
Change in Net Assets	(14,864)	(6,735)
Beginning - Net Assets	<u>580,656</u>	<u>587,391</u>
Ending - Net Assets	<u><u>\$565,792</u></u>	<u><u>\$580,656</u></u>

The notes to the financial statements are an integral part of this statement



TOWN OF WALES  
PROPRIETARY FUNDS  
STATEMENT OF CASH FLOW  
For the Year Ended June 30, 2005  
With Comparative Totals for June 30, 2004

	2005 Water Utility	Memorandum Totals 2004
<b>Cash Flow from Operating Activities:</b>		
Receipts from Customers	\$37,420	\$33,792
Payments to Suppliers	(6,445)	(12,305)
Payments to Employees	(5,448)	(2,978)
<b>Net Cash Provided (Used) from Operating Activities</b>	<b>\$25,527</b>	<b>\$18,509</b>
<b>Cash Flow from Non-Capital and Related Financing Activities:</b>		
Transfers to General Fund	(46,203)	
<b>Net Cash Flow Provided (Used) by Non-Capital and Related Financing Activities</b>	<b>(46,203)</b>	<b>0</b>
<b>Cash Flow from Investing Activities:</b>		
Interest Income	3,247	45
<b>Net Cash Flow Provided (Used) by Investing Activities</b>	<b>3,247</b>	<b>45</b>
<b>Cash Flow from Capital and Related Financing Activities:</b>		
Purchase of Capital Assets	-	(22,430)
Principal New Loan (Paid) on Capital Debt	-	(12,949)
Interest Paid on Capital Debt	(4,143)	(11,014)
<b>Net cash Flow Provided (Used) by Capital and Related Financing Activities</b>	<b>(4,143)</b>	<b>(46,393)</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>(\$21,572)</b>	<b>(\$27,839)</b>
Beginning - Cash and Equivalents	148,324	176,163
Ending - Cash and Equivalents	<u>\$126,752</u>	<u>\$148,324</u>
<b>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:</b>		
Operating Income	32	4,234
<b>Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:</b>		
Depreciation	17,213	9,816
Changes in Assets & Liabilities		
Decrease (Increase) in Receivable	1,853	(4,364)
Increase (Decrease) in Payables	6,429	1,509
<b>Total adjustments</b>	<b>25,495</b>	<b>6,961</b>
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>\$25,527</b>	<b>\$11,195</b>

The notes to the financial statements are an integral part of this statement

**TOWN OF WALES**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2005**

**NOTE 1 -SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of Wales Town conform to accounting principles generally accepted in the United States of America as applicable to governments. The following is a summary of the more significant policies:

The accompanying basic financial statements present the financial position of various fund types and account groups and the results of operations of the various fund types. The basic financial statements are presented for the year ended June 30, 2005.

The following is a summary of the more significant policies:

**Reporting Entity**

Wales Town is a municipal corporation in Sanpete County, Utah. It is governed by an elected mayor and four member board. As required by generally accepted accounting principles, these financial statements are of the primary government, Wales Town, the reporting entity. The Town has no component units.

**Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., statement of net assets and statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of inter-fund activity has been removed from these statements.

Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable. The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues. Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

**Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and accrual basis of accounting as are the proprietary fund and the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Governmental fund financial

**TOWN OF WALES**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**June 30, 2005**

**NOTE 1 .SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, Wales Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Property taxes, franchise taxes, licenses and interest associated with the current fiscal period are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenues items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. Private-sector standards of accounting and financial reporting Issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance. When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

**Assets, Liabilities and Net Assets or Equity**

**Deposits and Investments:**

The government's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. State statutes authorize the government to invest in obligations of the U. S. Treasury, commercial paper, corporate bonds, repurchase agreements and the State Treasurer's Investment Pool. Investments for the government, as well as for its component units, are reported at fair value. The State Treasurer's Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

**Capital Assets:**

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the applicable governmental or Wales business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated

TOWN OF WALES  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
June 30, 2005

**NOTE 1 -SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant and equipment of the primary government, as well as the component units, is depreciated using the straight line method over the following estimated useful lives:

Buildings	40 Years	Distribution Systems	50 Years
Improvements	25 Years	Equipment	7 Years
Streets	10 Years		

**Long- Term Obligations:**

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets. In the fund financial statement, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, if any, during the current period. The face amount of debt Issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**Fund Equity:**

In the fund financial statements, governmental funds report reservations of fund balance for amounts not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designation of fund balance represent tentative management plans that are subject to change.

**Total Columns (Memorandum Only)**

Total columns on the financial statements are captioned "memorandum only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations or changes in financial position in conformity with generally accepted accounting principles. Neither are such data comparable to a consolidation. Inter-fund eliminations have not been made in the aggregation of this data.

**Comparative Data**

Comparative total data for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the Town's financial position and operations. However, comparative (i.e., presentation of prior year totals by fund type) data have not been presented in each of the statements since their inclusion would make the statements unduly complex and difficult to read.

TOWN OF WALES  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 June 30, 2005

NOTE 1 -SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Reconciliation of Government-Wide and Fund Financial Statements:**

- A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets:

The governmental funds balance sheet includes a reconciliation between fund balance - total governmental funds and net assets -governmental activities as reported in the government-wide statement of net assets. These differences primarily result from the long-term economic focus of the statement of net assets versus the current financial resources focus of the governmental fund balance sheets

Capital related items:

When capital assets (property and equipment) that are to be used in governmental activities are purchased or constructed, the cost of those assets are reported as expenditures in governmental funds. However, the statement of net assets includes those capital assets among the assets of the Town as a whole.

Cost of capital assets	\$ 444,365	
Accumulated Depreciation	<u>(72,171)</u>	
Total Differences		<u>\$ 372,194</u>

- B. Explanation of Differences Between Governmental Fund Operating Statement and the Statement of Net Activities.

The governmental fund statement of revenues, expenditures and changes in fund balances includes a reconciliation between net changes in fund balances, total governmental funds and changes in net assets of governmental activities as reported in the governmental-wide statement of activities.

Net Change in fund balance – Total Governmental Funds	\$ 24
Capital Expenditure	708
Depreciation Expense	<u>(35,885)</u>
Change In Net Assets Of Governmental Activities	<u>\$(35,153)</u>

**Property Tax**

The County assesses all taxable property by May 22 of each year. The Town should adopt a final tax rate prior to June 22, which submitted to the State for approval. Property taxes are due on November 30. Delinquent taxes are subject to a penalty.

Property taxes attach as an enforceable lien on property as they become delinquent. All unpaid taxes levied during the year become delinquent December 1 of the current year.

Property tax revenues are recognized when they become measurable and available. Amounts available include those property tax receivables expected to be collected within sixty days after year end.

**TOWN OF WALES**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**June 30,2005**

**NOTE 1 -SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Budgets and Budgetary Accounting:**

The governing body of the entity shall establish the time and place of the public hearing to consider the adoption of the budget and shall publish notice of the hearing at least seven days prior to the hearing (no time period given for towns) in at least one issue of the newspaper of general circulation published within the County in which the entity is located. If no such newspaper is published, the required notice may be posted in three public places within the entity's jurisdiction. The tentative budget must be made available to the public for inspection for a number of days, as provided by law, prior to the budget hearing.

1. On or before the first regularly scheduled meeting of the Town Board in the month of May, the mayor prepares a tentative budget for the next budget year.
2. After a public notice has been published, a public hearing is then held on the adoption of the budget.
3. After the public hearing, the Town Board makes final adjustments to the tentative budget.
4. On or before June 22, the Town Board adopts the budget by resolution or ordinance and sets the tax rate for taxes.
5. The budget officer may transfer unexpended budgeted amounts within departments.
6. The Town Board may transfer unexpended budgeted amounts from one department in a fund to another department in the same fund by resolution.
7. The total budget appropriation of any governmental fund may be increased only after a public hearing has been held and followed by resolution of the Town Board.
8. Proprietary Fund budgets may be increased without a public hearing by resolution of the Town Board.
9. Budgets for the General fund are adopted on a basis consistent with generally accepted accounting principles (GAAP).

The appropriated budget is prepared by fund, function and department. The government's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the governing council. The legal level of budgetary control is the department level.

The Fiscal Procedures Act for Utah Towns require local municipalities to restrict expenditures to authorized departmental budgets. The combined statement of revenues, expenditures and changes in fund balance -budget and actual identifies the departments and funds which have over-expended budgeted amounts if any and, therefore, do not comply with appropriate fiscal procedures.

**Use of Estimates:**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

TOWN OF WALES  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
June 30, 2005

**NOTE 2- DEPOSITS AND INVESTMENTS**

Wales maintains a cash investment pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the combined balance sheet as "Cash and Cash Equivalents".

**Deposits:**

At year end, the carrying amount of the Town's deposits were \$ 19,508 and the bank balance was \$ 18,703. All of the bank balances were covered by federal depository insurance. Utah State statutes do not require deposits to be collateralized, however, financial institutions must be approved by the State Money Management Council.

**Investments:**

Statutes authorize the Town to invest in obligations of the U. S. Treasury , agencies, and instrumentalities, commercial paper rated A-1 by Standards and Poors Corporation or P-1 by Moody's Commercial Paper Record, bankers acceptances, repurchase agreements, and the state treasurer's investment pool. The Town Is authorized to enter into reverse repurchase agreements. The Town's investments are categorized below to give an indication of the risk assumed by the Town at year end. Category 1 includes investments that are insured or registered or for which the securities are held by the Town in the Town's name, and includes deposits collateralized by securities held by the Town in the Town's name. Category 2 includes uninsured and unregistered investments for which the investments are held by a broker or dealer in the Town's name, and Includes deposits collateralized by securities held by the pledging institution in the Town's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or dealer but not in the Town's name, and includes deposits not insured or collateralized.

The Wales Town's investments at year end are shown below:

	Category 1	Category 2	Category 3	Carrying Amount	Fair Value
Cash in Banks	\$ 19,508			\$ 19,508	
Investments					
Other Items: State Treasurer's Investment Pool				<u>139,023</u>	
			Total Cash	<u>\$ 158,531</u>	

The Utah Public Treasurer's Investment Fund is an external deposit and investment pool wherein governmental entities are able to pool the monies from several entities to improve investment efficiency and yield. These monies are invested primarily in money market securities and contain no withdrawal restrictions. As such, the monies invested In this fund are not Insured and are subject to the same market risks as any similar investment in money market funds.

TOWN OF WALES  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
June 30, 2005

**NOTE 3- CAPITAL ASSETS**

Capital assets activity for the fiscal year ended June 30, 2005, was as follows:

Governmental Activities:	Beginning Balance	Additions	Deletions	Ending Balance
Capital Assets Not Being Depreciated:				
Land	2,000			2,000
Capital Assets Being Depreciated:				
Buildings	111,911	708		112,619
Machinery and Equipment	7,186			7,186
Infrastructure	<u>322,560</u>			<u>322,560</u>
Total Capital Assets	437,657	708		442,365
Less Accumulated Depreciation For:				
Buildings	2,698	2,798		5,496
Machinery and Equipment	1,333	833		2,166
Infrastructure	<u>32,255</u>	<u>32,254</u>		<u>64,509</u>
Total Accumulated Depreciation	<u>36,286</u>	<u>35,885</u>		<u>72,171</u>
Governmental Activities Capital Assets, Net	<u>\$ 407,371</u>			<u>\$ 372,194</u>

**NOTE 4 - NOTE PAYABLE**

The Town has no long term notes payable - general fund.

**NOTE 5- CLASS "C" ROAD**

The Town receives Class "C" Road money from the State of Utah for road construction and maintenance.

The following is schedule of receipts and disbursements in the Class "C" Road:

Receipts:	\$ 13,927
Disbursements	(40,858)

**NOTE 6- UTAH STATE RETIREMENT PLANS**

Wales Town does not participate in the Utah State Retirement Plan.



**TOWN OF WALES**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**June 30, 2005**

**NOTE 7 -RISK MANAGEMENT**

The Town is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town participates in the Utah Local Governments Trust. The insurance coverage's are written on a group purchase arrangement. All of the insurance coverage is brokered and written through various insurance companies. Utah Local Government Trust acts as the broker.

**Liability:**

The Town is insured for \$2,000,000 combined single limit with no deductible per occurrence for Comprehensive General Liability. Bodily injury, personal injury, property damage, public officials errors and omissions coverage \$2,000,000 aggregate each policy period with no deductible each accident.

**Automobile Liability:**

The Town is insured for automobile bodily injury for \$2,000,000 combined single limit per accident. Property damage \$1,000,000 aggregate each policy period. The coverage also covers uninsured motorist \$50,000 each accident and \$50,000 each policy period.

**Property:**

All of the property coverage is Insured through Utah Local Government Trust. Buildings and equipment are covered based on replaced cost subject to a \$1,000 deductible.

**Workers Compensation:**

This coverage is provided through the Utah Local Government Trust.

The Town has not experienced any significant reduction in insurance coverage from the previous year nor has it paid any settlements in excess of insurance coverage in the past three fiscal years.